

Message Text

CONFIDENTIAL

PAGE 01 PRETOR 01408 220616Z

21

ACTION AF-06

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 NRC-05

ACDA-05 XMB-02 /115 W

----- 114816

R 211452Z APR 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 1744

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION IAEA VIENNA

C O N F I D E N T I A L PRETORIA 1408

CAPE TOWN FOR EMBASSY

E.O. 11652: GDS

TAGS: EINV, ETRD, FR, GW, NL, SF, SZ

SUBJ: GENERAL ELECTRIC INCLUDED IN SELECTION OF FIANL BIDDERS
FOR SOUTH AFRICAN NUCLEAR POWER STATION

SUMMARY: GE WITH SWISS AND GERMAN PARTNERS AMONG THREE CONSORTIA
SELECTED FOR FINAL BIDS ON FIRST UNIT OF TWIN REACTOR NUCLEAR
POWER STATION. WITH CONTRACT VALUED AT SOME 900 MILLION, GE IS
DEEPLY CONCERNED ABOUT FRENCH POLITICAL PRESSURES ON BEHALF OF ITS
CONSORTIUM AND WEAKNESS OF ITS COMPETITIVE POSITION ON ITS
FINANCING PROPOSALS. URGENTLY HOPES DIRECT LOANS RATHER THAN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PRETOR 01408 220616Z

GUARANTEES CAN BE MADE AVAILABLE DESPITE CURRENT U.S. POLICY

AGAINST DIRECT LOANS TO SOUTH AFRICA. END SUMMARY.

1. ON APRIL 11, SAG'S ELECTRICITY SUPPLY COMMISSION (ESCOM) ANNOUNCED ITS SHORT LIST OF BIDDERS WHO ARE TO SUBMIT BY JUNE 30 FINAL BIDS FOR THE FIRST UNIT OF TWIN REACTOR FOR THE NUCLEAR POWER STATION AT KOEBERG, 30 KILOMETERS NORTH OF CAPETOWN. FIRST UNIT TO PUT INTO COMMISSION TOWARD END OF 1982 WITH SECOND IN ABOUT 1984.

2. THREE CONSORTIA WERE SELECTED:

(A) U.S. GENERAL ELECTRIC TECHNICAL SERVICES CO. IN CONSORTIUM WITH BROWN BOVERI OF SWITZERLAND AND FOUR DUTCH FIRMS NAMELY RYNSCHELDE, VERLONE, COMPRIMO AND BREDERO.

(B) FRENCH FRAMATME-ALSTHOM-SPIE-BATIGNOLLES.

(C) GERMAN-SOUTH AFRICAN CONSORTIUM OF GERMAN KRAFTWERK UNION AND MURRAY-ROBERTS GROUP OF SOUTH AFRICA.

3. ACCORDING PRESS, LATTER TWO PROPOSE PRESSURIZED WATER REACTOR, WHILE GE PROPOSES BOILING WATER REACTOR.

4. U.S. WESTINGHOUSE WHICH SUBMITTED PRELIMINARY BID WAS NOT SELECTED.

5. GE REPS HAVE TOLD US THAT AFTER BIDS SUBMITTED ON JUNE 30, FINAL AWARD WILL BE MADE IN FEBRUARY 1976 FOLLOWING DETAILED TECHNICAL EVALUATION. THEY SEE TWO MAJOR DIFFICULTIES IN BIDDING SUCCESSFULLY ON THIS PROJECT:

(A) FRENCH WILL TAKE ADVANTAGE OF THEIR ROLE AS ARMS SUPPLIER TO SOUTH AFRICA TO INDULGE IN POLITICAL ARM-TWISTING.

(B) GE WILL BE AT DISADVANTAGE ON CREDIT TERMS BECAUSE IT WILL NOT BE ABLE TO OBTAIN EXIM DIRECT LOAN FACILITIES DEEMED ESSENTIAL TO COMPETE WITH CREDIT FACILITIES. THEY BELIEVE FRENCH AND GERMAN GOVERNMENTS WILL GRANT THEIR CONSORTIA SUCH FACILITIES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PRETOR 01408 220616Z

YM GE REPS HAVE MADE STRONG PITCH TO US FOR DIRECT EXIM LOAN FACILITIES SO THAT THEY WILL BE FULLY COMPETITIVE. THEY ANTICIPATE THIS WILL BECOME A CRITICAL ISSUE AS FIAAL SELECTION DATE NEARS--THAT IS DURING NOVEMBER-JANUARY PERIOD ALTHOUGH THEIR JUNE SUBMISSION WILL HAVE TO CONTAIN SOME FINANCING PROPOSALS. THE TOTAL CONTRACT WILL BE WORTH ABOUT 900 MILLION DOLLARS FOR FIRST OF TWIN REACTOR PLANT, EACH OF ALMOST 1,000 MEGAWATTS. THEY NOTE ALSO THAT EVENTUALLY FOUR ADDITIONAL REACTORS WILL BE

NEEDED BY THE END OF THE CENTURY. IF GE GETS THE FIRST TWO REACTORS, THEY BELIEVE THEY STAND AN EXCELLENT CHANCE OF GETTING THE OTHERS. THEY ESTIMATED THAT THE NET BALANCE OF PAYMENTS BENEFITS TO THE U.S. FOR ALL SIX AT ONE BILLION DOLLARS.

7. WE POINTED OUT TO GE CURRENT US POLICY PROHIBITS DIRECT EXIM LOANS TO SOUTH AFRICA ALTHOUGH EXIM CREDIT GUARANTEES ARE AVAILABLE. THEIR REPS CONFIRMED OUR ASSUMPTION THAT GE HAD BEEN IN TOUCH WITH EXIM IN WASHINGTON, BUT PROBLEM REMAINS INTEREST RATE ATTACHED TO GUARANTEES IS HIGHER THAN THAT OF DIRECT LOANS.

8. COMMENTS: (A) WE HAVE NO DOUBT FRENCH WILL APPLY POLITICAL PRESSURE TO GET THIS CONTRACT; FINAL DECISION WILL MOST LIKELY BE AT THE CABINET LEVEL. WE MAY GET AN INDICATION OF THE WAY WIND IS BLOWING WITH FRENCH POLITICAL PRESSURE AND SAG ATTITUDES TOWARD IT FROM DECISION BY SOUTH AFRICAN AIRWAYS ON ITS FORTHCOMING DECISION WHETHER TO BUY EUROPEAN AIRBUS IN PREFERENCE TO BOEINGS, LICKHEED 1011'S OR DOUGLAS DC-10'S.

(B) ON EXIM, WE THINK IT POSSIBLE THAT INTEREST RATE DIFFERENTIAL BETWEEN EXIM DIRECT LOANS AND GUARANTEES COULD BE ONE FACTOR IN FINAL SELECTION WHICH WOULD PUT GE AT COMPETITIVE DISADVANTAGE ESPECIALLY IF EUROPEAN GOVERNMENTS ELECT TO MAKE DIRECT LOANS.

9. ACTION REQUESTED: WE WOULD APPRECIATE INDICATION FROM WASHINGTON AGENCIES ON WHAT SORT OF FINANCAIL SUPPORT MIGHT BE FORTHCOMING FOR GE BIDS.

EDMONDSON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NUCLEAR POWER PLANTS, PROPOSALS (BID), CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PRETOR01408
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750140-0411
From: PRETORIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750432/aaaabdvo.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2003 by BoyleJA>; APPROVED <08 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GENERAL ELECTRIC INCLUDED IN SELECTION OF FIANL BIDDERS FOR SOUTH AFRICAN NUCLEAR POWER STATION
TAGS: EINV, ETRD, FR, GE, NL, SF, SZ, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006